Supreme Court, U.S.
FILED
FEB 4 1997
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(3)

No. 96-874

IN THE
Supreme Court of the United States
OCTOBER TERM, 1996

HONEYWELL, INC.,
Petitioner,

v.

LITTON SYSTEMS, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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REPLY BRIEF FOR PETITIONER

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WILSON - EPES PRINTING CO., INC. - 789-0096 - WASHINGTON, D.C. 20001

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REPLY BRIEF FOR PETITIONER

The petition seeks review of the Federal Circuit's final determination of infringement in this case, a determination that rests entirely on the doctrine of equivalents under the standards currently before this Court in *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, No. 95-728 (argued Oct. 15, 1996), and that affirms, under mere "substantial evidence" review, a finding of equivalents by a jury that expressly adopted a legally erroneous construction of the patent claims. Any significant tightening of the unpredictable "substantial differences" approach to equivalents infringement in *Warner-Jenkinson* would require that the Federal Circuit's judgment of patent infringement here be reversed or vacated. In fact, the entire judgment should be set aside, for the Federal Circuit incorrectly held that it was permitted, indeed required, to affirm the state-law verdicts regardless of whether (as is likely) they rested on legal error as to patent infringement. Nothing in Litton's opposition undermines the arguments for review presented in the petition.[1]

ARGUMENT

1. *Interlocutoriness Provides No Ground for Denial of Review Here.* Review should not be delayed on the ground that remedy proceedings remain in this case. The Federal Circuit has determined liability for patent infringement (and dependent state torts) with finality and rested its patent-infringement determination exclusively on the doctrine of equivalents. The important issues presented thus could not be altered by the district court's remedy proceedings, so denial of review would not "avoid addressing unnecessary questions" (Br. in Opp. 13). Indeed, the continuing litigation on remand would largely be eliminated or have to be utterly different if the Fed-

[1] This reply addresses Litton's "factual" assertions, contested throughout this case, only to the extent that they appear in Litton's arguments against certiorari. Litton has not undermined the petition's statement of facts. No more is needed to see that the judgment below cannot stand.

eral Circuit's liability judgment were upset as a result of *Warner-Jenkinson*, whereas leaving that judgment in place through denial of review would lead to needless and costly litigation and prolongation of the process of applying the correct law in this case. In these circumstances, the sensible and efficient course is to review the judgment now, consistent with this Court's frequent practice in similar cases where further proceedings on damages, or even liability, were to be held. *E.g.*, *Harbor Tug and Barge Co. v. Papai*, 117 S. Ct. 36 (1996) (liability); *United States v. Winstar Corp.*, 116 S. Ct. 2432 (1996) (damages); *Yamaha Motor Corp. v. Calhoun*, 116 S. Ct. 619 (1996) (liability); *Mills v. Electric Auto-Lite Co.*, 396 U.S. 375 (1970) (liability).

Although the petition noted that the Court apparently is holding two petitions on the doctrine of equivalents for *Warner-Jenkinson*,[2] Litton observes that this Court has denied petitions in two other cases raising questions under the doctrine of equivalents. Br. in Opp. 2-3, 13, citing *Hoechst Celanese Corp. v. BP Chemicals Ltd.*, 78 F.3d 1575 (Fed. Cir.), *cert. denied*, 117 S. Ct. 275 (1996) (No. 95-2033), and *Modine Mfg. Co. v. US. Int'l Trade Comm'n*, 75 F.3d 1545 (Fed. Cir.), *cert. denied*, 116 S. Ct. 2523 (1996) (No. 95-1557). In *Hoechst*, however, the Federal Circuit's judgment rested independently on literal infringement, so any equivalents issuse was immaterial to the outcome. *See Hoechst*, 78 F.3d at 1578-81; 95-2033 Br. in Opp. 24. And in *Modine*, denial of review *could* allow the Court to "avoid addressing unnecessary questions" (Br. in Opp. 13); there was no determination of infringement liability at all, and the International Trade Commission on remand might have entirely mooted the equivalents issue by finding literal infringement or trans-

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[2] *Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211 (Fed. Cir. 1995), *petition for cert. pending*, No. 95-1096 (filed Dec. 26, 1995); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 72 F.3d 857 (Fed. Cir. 1995), *petition for cert. pending*, No. 95-1546 (filed Mar. 26, 1996); *see* Pet. 22, 25.

formed and refocused the issue by its factual findings. *See Modine*, 75 F.3d at 1554-56; 95-1557 U.S. Br. in Opp. 5-6. Here, in sharp contrast, the equivalents issues (as well as the appellate-review issue) have been finally determined and cannot be mooted or altered by later proceedings limited to remedy issues.

2. *The First Question Warrants Review.* On the primary question presented, Litton suggests that there is some procedural bar to consideration of the proper standards for equivalents liability in this case (Br. in Opp. 13-14), but the suggestion is devoid of substance. Both the majority and the dissent in the Federal Circuit addressed on the merits the contention made by Honeywell that equivalents liability is legally unavailable here. Pet. App. 19a-21a, 35a-40a; *see* Honeywell C.A. Br. 28-33, 49; Honeywell C.A. Reply Br. 7-10; Honeywell Rehearing Petition 1-12. That is enough for the issue of the proper standards for equivalents liability to be properly presented (*see, e.g., Virginia Bankshares, Inc. v. Sandberg*, 501 U.S. 1083, 1099 n.8 (1991)), and Honeywell is entitled to make any argument supporting its claim that equivalents liability is legally improper here (*see Yee v. City of Escondido*, 503 U.S. 519, 534 (1992) ("Once a federal claim is properly presented, a party can make any argument in support of that claim; parties are not limited to the precise arguments they made below."). There is good reason, moreover, for the absence of any reliance by the Federal Circuit on any notion of "procedural default" (Br. in Opp. 14), based on the jury instructions or otherwise: it is well settled that Honeywell was entitled to challenge the legal standards for equivalents liability on appeal, especially because (as Litton acknowledges, *id.*) Honeywell filed a motion for judgment as a matter of law on the issue of infringement under the doctrine of equivalents.[3]

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[3] *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 975 n.5 (Fed. Cir. 1995), *aff'd*, 116 S. Ct. 1384 (1996) ("The general rule is that in reviewing the law on a properly laid and renewed

In another attempt to avoid the equivalents issue, Litton points to the judgment of liability under state law. Br. in Opp. 17. The very basis for the third question presented, however, is that the state-law judgment of the Federal Circuit—which this Court has jurisdiction to review (for violation of federal-law principles of appellate review)—does *not* "stand apart from the patent claims." *Id.* And, in any event, Litton does not even purport to show that the scope of remedies applicable to the patent and tort claims would be identical. The patent infringement ruling here cannot be dismissed as immaterial to the case.

Nor can this Court properly take up Litton's fall-back suggestion to ignore the legal standards actually applied by the court below (*see* Pet. 22-27) and conclude that the judgment would be the same under other, wholly unexpressed standards. Br. in Opp. 16-17. If such disregard of the actual precedent-forming rationale in an otherwise-certworthy case is ever appropriate, it would not be proper here. Litton nowhere shows that Honeywell's ion-beam sources were disclosed as equivalents in the patent or that they were known to be interchangeable with Litton's, as *workable* ion-beam sources, at the time of the patent (rather than, as the Federal Circuit held, the time of infringement). Similarly, as Judge Bryson pointed out, "the

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motion for JMOL, the appellate court is not bound by the instructions given the jury, even if they were not objected to. . . . We therefore reject Markman's argument that we must defer to the jury's claim construction simply because the district court instructed the jury to interpret the claims and Westview did not object to this instruction."); *see also Boyle v. United Technologies Corp.*, 487 U.S. 500, 513-14 (1988); *City of St. Louis v. Praprotnik*, 485 U.S. 112, 120 (1988); 9A C. Wright & A. Miller, *Federal Practice and Procedure* § 2537, at 348-49 (1995).

Honeywell's post-trial motion argued: "No reasonable juror could have found that Litton could broaden its claims to recapture as equivalents Honeywell's RF and hollow cathode sources. Therefore, the jury's findings of infringement under the doctrine of equivalents must be set aside, and a judgment as a matter of law entered in favor of Honeywell." Mem. in Support of Judgment as a Matter of Law at 15 (Sept. 27, 1993).

majority acknowledges that Honeywell's RF ion-beam system does not produce ions in the same way as the Kaufman-type ion-beam source" specified in Litton's patent claim. Pet. App. 37a; *see* Pet. App. 21a. Litton cannot escape the Federal Circuit's dropping of the "way" component of the "function-way-result" test by trying, as the court below did not, to rewrite the "source" claim (Pet. 8; Pet. App. 5a) to transform it back into a claim that, like the surrendered 1979 patent, simply requires "an ion beam" (Br. in Opp. 15). Finally, the record is indisputable that Litton accepted the PTO's demand to limit the initial, broad "ion beam" claim to a specified ion-beam "source" (against a background of various other, operationally unproven sources). *See* Pet. 4-8. The Federal Circuit, without disputing the plain PTO record, erased the specific source limit simply because of its legal view that the *reasons* for a PTO demand must be re-examined in infringement litigation and that one reason (avoidance of prior art) counts more than others (*e.g.*, workability).[4] The standards actually applied by the Federal Circuit thus warrant review.

Finally, Litton's discussion of the merits of the equivalents issue provides no ground for denial of review. Br. in Opp. 19-20. The proper standards for any non-literal infringement, including the ability to erase limits imposed by the PTO and accepted by the patentee without invoking the designated appeal mechanism, are under review

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[4] Litton does not dispute that the Federal Circuit rejected the prosecution-history-estoppel ground for rejecting equivalents liability here only because it psychoanalyzed the reasons for the PTO's repeated insistence on the limitation to the designated beam source and then disregarded the admitted "unworkab[ility]" reason for excluding "any" of the other sources referred to in Litton's filings (*Patent File* 131). *See* Pet. 5-7. Indeed, Litton relies expressly on the Federal Circuit's curtailing to "prior art" of this Court's broader prosecution-history-estoppel principle. Br. in Opp. 20. Also, although Litton intimates to the contrary (*id.* at 11, 17), the district court was unable to reach a definitive conclusion about the proper application of the Federal Circuit's estoppel standards to this case. Pet. App. 134a-35a.

in *Warner-Jenkinson* (and warrant review here if left unaddressed there). On the merits of those standards, Litton relies almost entirely on selective *Federal Circuit* precedents and has essentially nothing to say about the relevant statutes and rules, or about the precedents of this Court nowhere disturbed by *Graver Tank & Mfg. Co. v. Linde Air Prods.*, 339 U.S. 605 (1950), supporting the limits on the "judicially created" doctrine of equivalents (Br. in Opp. 19 n.4) set forth in the petition. *See* Pet. 19-27. Moreover, given the means patentees have available to protect themselves through claim drafting, the Federal Circuit's infringement standard cannot be justified as extending the patent monopoly to "unforeseeable technological developments" made by others (Br. in Opp. 20), which patent law should encourage, not discourage.[5]

3. *The Second Question Warrants Review.* On the second question presented in the petition, Litton urges that it "bears no relation to any of the issues" in *Warner-Jenkinson* and rests on "settled legal doctrines." Br. in Opp. 21. Both assertions are wrong. *Warner-Jenkinson* is centrally about the need for reliable boundaries for patent monopolies, boundaries that are defined by the standards for infringement *and* by application of those standards. *See Markman v. Westview Instruments, Inc.*, 116 S. Ct. 1384, 1396 (1996). When an equivalents verdict has been rendered by a jury that has expressly adopted a legally erroneous claim construction, that verdict cannot stand (under mere substantial evidence review) without violating the recognized judicial duty to ensure that the

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[5] Litton makes a brief plea for non-retroactivity if this Court narrows the Federal Circuit's latest loose standards for equivalents infringement in *Warner-Jenkinson* (Br. in Opp. 18), but there is no occasion even to consider non-retroactivity here: as Judge Bryson's dissent explains, it is Litton that has benefited from a suddenly expanded equivalents liability; and non-retroactivity has never applied where this Court resolves longstanding legal uncertainty in the lower courts, especially if it does so based on its own precedents. In any event, given that there is no request for pure prospectivity in *Warner-Jenkinson*, non-retroactivity here would be barred by *Harper v. Virginia Dep't of Taxation*, 509 U.S. 86 (1993).

correct benchmark is used for determining any "equivalents." *See, e.g., Insituform Technologies, Inc. v. Cat Contracting, Inc.*, 99 F.3d 1098, 1109 (Fed. Cir. 1996) (vacating equivalents ruling based on incorrect claim construction, and remanding for new findings). The violation of that duty by the panel in this case is unprecedented and should be corrected as a necessary part of reining in the Federal Circuit's infringement standards.

Litton's defense of the result rests almost entirely on its insistence that the jury, in determining equivalents liability, *must* have used the legally correct claim construction that it expressly rejected in its Special Verdict (Honeywell's construction). Br. in Opp. 21-22. But there was no jury instruction directing the jury to engage in such a counterintuitive change of its understanding of what the patent claims meant.[6] And as a factual matter, Litton's scenario is so implausible that Litton did not even think to reconstruct the jury's verdict in this way until late in the day. In its opening brief in the Federal Circuit, Litton acknowledged that the jury, when determining *both* sorts of infringement (literal and equivalents), had used "Litton's claim construction." Litton C.A. Br. 30 ("Accepting Litton's claim construction, the jury found Honeywell infringed *each* element of *each* of the asserted claims, both literally and under the doctrine of equivalents." (emphasis in original)). Allowing an equivalents judgment to rest on the sort of implausible speculation that Litton now advances is inconsistent not only with the general rule requiring reversal where "the charge as a

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[6] The only instruction quoted by Litton (Br. in Opp. 22) hardly communicated to a lay jury that it was supposed to abandon the claim construction it had just adopted and proceed on the assumption of the rejected construction. Indeed, even if Litton were right that the instruction adequately, albeit implicitly, told the jury to abandon some of the findings it had made for literal infringement before going on to equivalents infringement, the jury need not have abandoned the claim construction it had adopted; it could just as readily have abandoned its findings that each element of the claim, using the jury's adopted construction, was present in Honeywell's process.

whole leaves . . . substantial and ineradicable doubt whether the jury has been properly guided in its deliberations" (*Banc One Capital Partners Corp. v. Kneipper*, 67 F.3d 1187, 1193 (5th Cir. 1995) (internal quotation marks omitted)), but with the patent system's demand for certainty in the infringement standards that define patent boundaries.

Litton cites decisions of this Court that, in certain tort contexts, have required an attempt to reconcile seemingly inconsistent special verdicts. Br. in Opp. 22-23. The problem here, however, is not one of inconsistent verdicts: the problem is the absence of a determination of equivalents using the proper benchmark.[7] And that absence cannot be disregarded as harmless—except to the extent that equivalents infringement could *not* be found as a matter of law. The Federal Circuit here applied only a "substantial evidence" standard (Pet. App. 20a-21a) and nowhere concluded—and could not conceivably have concluded (as Judge Bryson's dissent and the district court's opinion show)—that a finding of infringeemnt on this record was required as a matter of law. *Compare* Br. in Opp. 24, citing *Exxon Chemical Patents, Inc. v. Lubrizol Corp.*, 64 F.3d 1553, 1558-62 (Fed. Cir. 1995), *cert. denied*, 116 S. Ct. 2554 (1996) (finding *no* infringement as a matter of law).

4. *The Third Question Warrants Review.* On the third question presented—which challenges the Federal Circuit's upholding of the state-law verdict despite the distinct likelihood that it rested, at least in part, on patent infringement under a legally erroneous standard—Litton's response does not seriously defend the Federal Circuit's ruling or contest the correctness of Honeywell's legal objection. Litton mentions the distinction between "general"

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[7] Litton cites some appellate-court cases generally requiring objections addressed to internal inconsistency to be presented before the jury is discharged. Br. in Opp. 22. But Litton never raised any such procedural objection in the court of appeals. And the point is in any event immaterial, because the problem here is not one of inconsistent special verdicts.

verdicts and "special" verdicts; it observes that some (but not all) of the decisions cited in the petition are criminal rather than civil cases; and it notes that reversal may not be required where one possible basis for an otherwise-unspecified jury verdict is evidentiary insufficiency rather than legal error. *See* Br. in Opp. 26-28. But Litton does not cite any authority supporting the Federal Circuit's express holding (Pet. App. 22a n.3) that it could, indeed must, affirm a jury verdict that by its terms leaves a reviewing court unsure whether it rested on a ground that was infected with legal error. *See, e.g., Richards v. Michelin Tire Corp.*, 21 F.3d 1048, 1055-56 (11th Cir. 1994), *cert. denied*, 115 S. Ct. 902 (1995); *Crist v. Dickson Welding, Inc.*, 957 F.2d 1281, 1286 (5th Cir.), *cert. denied*, 113 S. Ct. 187 (1992).

Instead of taking serious issue with the legal principle, Litton's principal response to the third question is to deny the premise that the state-law verdicts here may have rested on the jury's finding of patent infringement (which, under the first two questions of the petition, was infected with legal error). Br. in Opp. 24-26. Litton relies primarily on the Federal Circuit's statement that "[t]he *majority* does not premise *its* conclusion regarding the state law claims on the existence of a patent" (Pet. App. 22a n.3 (emphasis added)). *See* Br. in Opp. 24-25. But that statement by its terms says nothing whatever about the issue here: whether the *jury* may have premised *its* state-law verdicts at least partly on patent infringement. On that issue, the Federal Circuit opinion, and Litton's prior arguments, undermine rather than support Litton's present argument.

As to the tort of interference with prospective relations, Litton barely even tries to suggest that the verdict was independent of patent infringement, for the Federal Circuit itself pointed to patent infringement as one of the possible "wrongful means" that the jury found as an essential element of the tort (Pet. App. 28a)—making

inexplicable the Federal Circuit's assertion that *it* did not rely on patent infringement in upholding the tort verdicts. As to the tort of inducing breach of the Litton-Louderback contract, Litton makes a more serious effort, but still fails. Not only did the Federal Circuit cite the patent in identifying the necessary element of breach (Pet. App. 3a), and point to the jury's identically worded hand-written finding of "wrongful means" (Pet. App. 24a), but Litton itself relied on patent infringement in asking the Federal Circuit to find substantial evidence on *this* tort, pointing to "trial testimony . . . [that] the process Louderback used to manufacture Honeywell's RLGS mirrors infringed the Litton '849 [reissue] patent." Litton C.A. Br. 17. Litton is in no position now to deny that the jury probably relied on patent infringement in finding liability for both state-law torts. Thus, if the patent infringement ruling rests on legal error, the state-law judgment cannot stand.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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February 4, 1997